



State Revolving Fund Loan Programs Drinking Water, Wastewater, Nonpoint Source

PRELIMINARY DECISION OF CATEGORICAL EXCLUSION

TO ALL INTERESTED CITIZENS, ORGANIZATIONS AND GOVERNMENT AGENCIES:

CWA AUTHORITY

**Acquisition of Wastewater Treatment Works
SRF loan number to be determined at closing**

Date: August 5, 2011

Pursuant to IC 4-4-11, the State Revolving Fund (SRF) Loan Program has determined that the project described here will have no substantial negative environmental impact. Therefore, the SRF is issuing a preliminary decision of Categorical Exclusion from the requirements of substantive environmental review.

How were environmental issues considered?

The National Environmental Policy Act (NEPA) requires agencies disbursing Federal funds to include environmental factors in the decision making process. A summary of the project is attached for review. The SRF's preliminary review has found that the proposed project does not require the preparation of either an EA or an EIS.

Why is additional environmental review not required?

Our environmental review has concluded that significant environmental impacts will not result from the proposed action.

How do I submit comments?

Comments can be submitted to:

Max Henschen
Senior Environmental Manager
317-232-8623; mhensche at ifa.in.gov

CATEGORICAL EXCLUSION

I. PROJECT IDENTIFICATION

Project Name and Address: Acquisition of Indianapolis Treatment Works (the "Wastewater System")
CWA Authority, Inc. ("Authority")

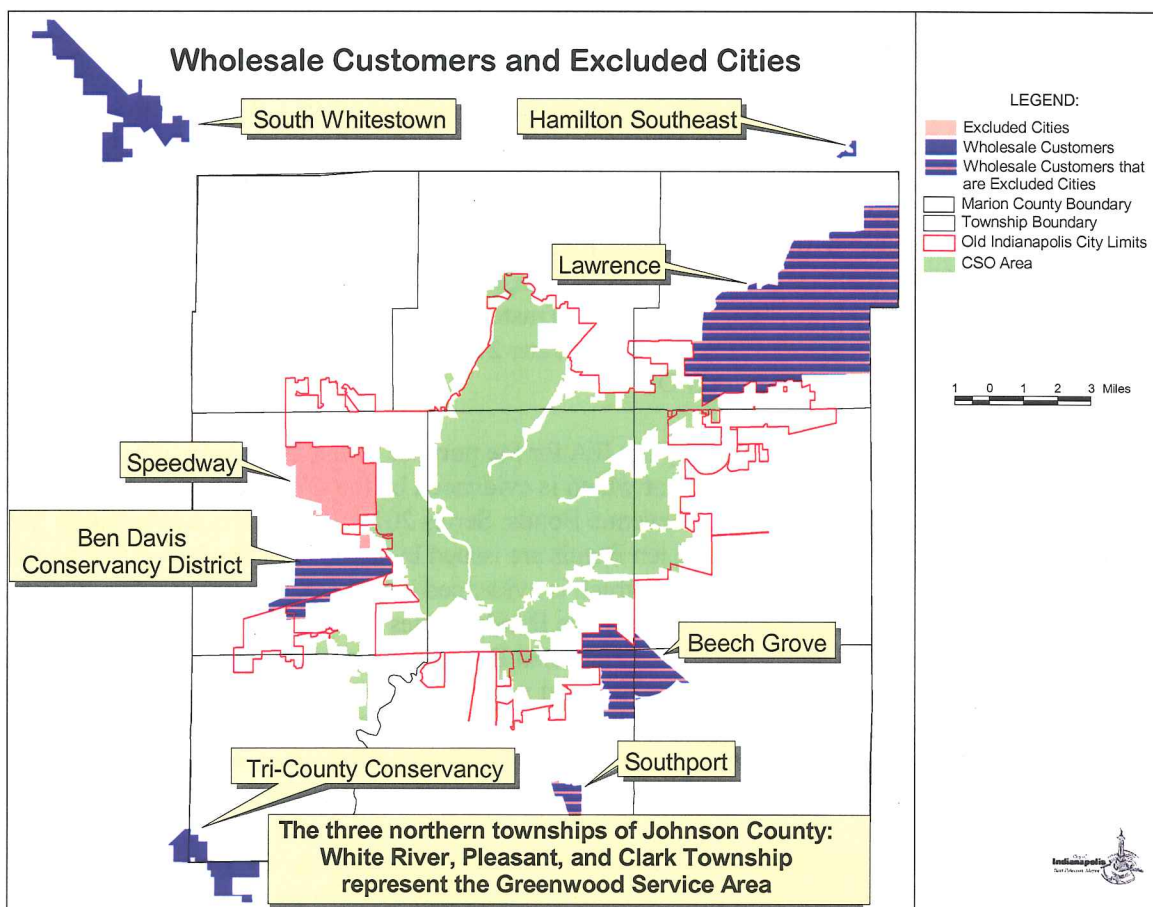
SRF Project Number: to be determined at loan closing

Authorized Representative: Mr. John R. Brehm
Senior Vice President and Chief Financial Officer
CWA Authority, Inc.

II. PROJECT LOCATION

The Authority's principal office is located at 2020 North Meridian Street, Indianapolis, Indiana 46202 (317-924-3341) and following the acquisition by the Authority of the Wastewater System (the "Acquisition"), it will operate the acquired Wastewater System that services the following area:

WASTEWATER SYSTEM BOUNDARIES WASTEWATER SYSTEM MAP



III. PROJECT NEED AND PURPOSE

On July 13, 2011, the Indiana Utility Regulatory Commission (the "IURC") approved the Acquisition and made certain other findings more fully described herein in Cause No. 43936 (the "IURC Order"), including that the terms of the Acquisition were reasonable and in the public interest. The IURC Order can be found at http://www.in.gov/IURC/files/43936order_071311.pdf. Among other benefits, the Authority expects that the operation of the Wastewater System by the Authority, when combined with Citizens' operation of its existing central Indiana gas, steam and chilled water systems and Citizens' operation of the Waterworks System, will result in substantial annual operating and capital project synergies. After completion of the Acquisition, Citizens will align its activities along functional lines in order to create the greatest opportunities to realize cost efficiencies. Citizens' officer team will oversee all utilities providing common leadership and decision-making across each utility.

IV. PROJECT COSTS, AFFORDABILITY AND FUNDING

A. Cost Summary

Portion of the Acquisition funded by the SRF Program

ESTIMATED COST

\$170,450,000

B. Finance Plan Summary

The Indiana Finance Authority (the "IFA"), will issue its First Lien Wastewater Utility Revenue Bonds, Series 2011A (CWA Authority Project) (the "IFA 2011A First Lien Bonds") pursuant to a First Lien Trust Indenture (the "IFA First Lien Indenture") dated as of July 1, 2011, between the IFA and The Bank of New York Mellon Trust Company, N.A., as First Lien Trustee (the "First Lien Trustee"), its Second Lien Wastewater Utility Revenue Bonds, Series 2011B (CWA Authority Project) (the "IFA 2011B Second Lien Bonds") and its Second Lien Wastewater Utility Revenue Bonds, Series 2011C (CWA Authority Project) (the "IFA 2011C Second Lien Bonds" and with the IFA 2011A First Lien Bonds and the IFA 2011B Second Lien Bonds, the "IFA Wastewater Bonds") pursuant to a Second Lien Trust Indenture (the "IFA Second Lien Indenture" and with the IFA First Lien Indenture, the "IFA Indentures") dated as of July 1, 2011, between the IFA and U.S. Bank National Association, as Second Lien Trustee (the "Second Lien Trustee," and together with the First Lien Trustee, the "Trustees"). The IFA Wastewater Bonds will also be issued pursuant to a resolution approved by the IFA on June 21, 2011 and will be described in a Preliminary Official Statement of the IFA ("POS").

The IFA 2011A First Lien Bonds are issued by the IFA for the purpose of making a loan to CWA Authority, Inc. (the "Citizens Authority"), the repayment of which is evidenced by the CWA Authority, Inc., City of Indianapolis, Indiana First Lien Wastewater Revenue Bonds, Series 2011A (the "Citizens Authority 2011A First Lien Bonds"). The IFA 2011B Second Lien Bonds are issued by the IFA for the purpose of making a loan to the Citizens Authority, the repayment of which is evidenced by the CWA Authority, Inc., City of Indianapolis, Indiana Second Lien Wastewater Revenue Bonds, Series 2011B (the "Citizens Authority 2011B Second Lien Bonds"). The IFA 2011C Second Lien Bonds are issued by the IFA for the purpose of making a loan to the Citizens Authority, the repayment of which is evidenced by the CWA Authority, Inc., City of Indianapolis, Indiana Second Lien Wastewater Revenue Bonds, Series 2011C (the "Citizens Authority 2011C Second Lien Bonds" and with the Citizens Authority 2011B Second Lien Bonds and the Citizens Authority 2011A First Lien Bonds, the "2011 Citizens Authority Bonds").

The proceeds of the Citizens Authority 2011A First Lien Bonds will be used by the Citizens Authority to:

- (i) provide a portion of the funding for the acquisition and purchase of the Wastewater System from the City of Indianapolis, Indiana (the "City") and the Sanitary District of the City (the "Sanitary District"),
- (ii) fund a debt service reserve for the Citizens Authority 2011A First Lien Bonds and the Citizens

Authority 2011SRF First Lien Bonds (as defined below), and (iii) pay costs of issuance of the IFA 2011A First Lien Bonds, the Citizens Authority 2011A First Lien Bonds and the Citizens Authority 2011SRF First Lien Bonds. A portion of the proceeds of the Citizens Authority 2011A First Lien Bonds will be used by the Citizens Authority to pay the Wells Line (as defined in the POS). See the POS for a description of the Citizens Authority and the Citizens Authority's acquisition of the Wastewater System. The proceeds of the Citizens Authority 2011B Second Lien Bonds will be used to: (i) provide a portion of the funding for the acquisition and purchase of the Wastewater System, (ii) fund a debt service reserve for the Citizens Authority 2011B Second Lien Bonds and (iii) pay costs of issuance of the IFA 2011B Second Lien Bonds and the Citizens Authority 2011B Second Lien Bonds. The proceeds of the Citizens Authority 2011C Second Lien Bonds will be used to: (i) fund capital improvements, working capital and initial start-up needs of the Citizens Authority related to its acquisition and operation of the Wastewater System and (ii) pay costs of issuance of the IFA 2011C Second Lien Bonds and the Citizens Authority 2011C Second Lien Bonds.

Simultaneously with the issuance of the 2011 Citizens Authority Bonds, as additional consideration for the Acquisition, the Citizens Authority will also issue its Citizens Authority 2011SRF First Lien Bonds in the aggregate principal amount of \$170,450,000 pursuant to the First Lien Citizens Authority Master Indenture and the Series 2011SRF First Lien Supplemental Indenture between the Citizens Authority and the First Lien Trustee dated as of July 1, 2011 (the "Citizens Authority 2011SRF First Lien Bonds"), for the purpose of replacing certain bonds of the Sanitary District previously issued and held by the IFA under its Wastewater Revolving Fund program. Such replacement is pursuant to and in accordance with the Wastewater Asset Purchase Agreement (as defined in the POS).

The combined aggregate principal amount of the 2011 Citizens Authority Bonds and the Citizens Authority 2011SRF First Lien Bonds") is not expected to exceed approximately \$1.2 billion.

V. ENVIRONMENTAL IMPACTS OF THE FEASIBLE ALTERNATIVES

The acquisition will have no physical impact on the environment. Consistent with the implementing regulations of the National Historic Preservation Act, the SRF has determined that the proposed undertaking is not a type of activity that has the potential to cause effects to historic properties.

VI. PUBLIC PARTICIPATION

CWA Authority, Inc., the City, Sanitary District, IURC and/or others discussed the Acquisition at publicly advertised meetings, which included public hearings and requests for public comment, including as follows:

- <http://www.indy.gov/eGov/Mayor/pressroom/2010/Documents/PR%20--%2012%2022%2010%20STATE%20TAKING%20PUBLIC%20COMMENT%20ON%20MAYOR%20PROPOSAL%20TO%20TRANSFER%20WATER%20%20WASTEWATER%20SYSTEMS%20TO%20CITIZENS%20ENERGY%20GROUP.pdf>
- <http://www.indy.gov/eGov/Mayor/Pages/UtilityPressReleaseArchive.aspx>
- <http://www.in.gov/oucc/2626.htm>
- <http://www.indy.gov/eGov/Mayor/pressroom/2010/Documents/PR%20--%2008%2010%2010%20MAYOR%20INFRASTRUCTURE%20ADVISORY%20COMMISSION%20GATHER%20FEEDBACK%20ON%20KEY%20INITIATIVES%20AT%20PUBLIC%20MEETING.pdf>